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RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

KB HOME SOUTH BAY INC.
6700 Koll Center Parkway
Pleasanton, California 94566
Attention: Denise Cunningham

SPACE ABOVE THIS LINE FOR RECORDER'S USE

RELEASE OF AGREEMENT AFFECTING REAL PROPERTY

THIS RELEASE OF AGREEMENT AFFECTING REAL PROPERTY (this "Release Agreement") is made as of January __, 2007 by and between THE REDEVELOPMENT AGENCY OF THE CITY OF MILPITAS ("Redevelopment Agency") and KB HOME SOUTH BAY INC., a California corporation ("Developer"), with reference to the following facts:

RECITALS

A. Developer is the owner of that certain real property more particularly described on Exhibit A attached hereto and incorporated herein by reference ("Property"). Developer is developing the Property as a residential housing development in accordance with that certain Disposition and Development Agreement by and between Redevelopment Agency and Developer dated as of January 18, 2005 ("DDA").

B. Pursuant to the DDA, Redevelopment Agency and Developer executed and recorded that certain Agreement Affecting Real Property against the Property on April 5, 2005 as Instrument No. 18307395 in the Official Records of Santa Clara County, California ("Agreement"), which Agreement imposes certain covenants and restrictions against the Property. Redevelopment Agency and Developer now desire to terminate the Agreement and remove the covenants and restrictions set forth therein from certain portions of the Property in accordance with this Release Agreement.

NOW THEREFORE, FOR VALUABLE CONSIDERATION, RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED, THE REDEVELOPMENT AGENCY AND DEVELOPER HEREBY AGREE AS FOLLOWS:

1. Release of Agreement. Redevelopment Agency and Developer hereby terminate the Agreement, and all covenants and restrictions set forth in the Agreement, and hereby quitclaim, remise and surrender all rights that either has under the Agreement with respect to those portions of the Property more particularly described on Exhibit B attached hereto ("Released Lots").

IN WITNESS WHEREOF, the Redevelopment Agency and Developer have executed this Release Agreement as of the date first set forth above.

REDEVELOPMENT AGENCY OF THE
CITY OF MILPITAS

By: _____
Tom Williams, Executive Director

APPROVED AS TO FORM AND LEGALITY:
Steven Mattas
Redevelopment Agency General Counsel

By: _____

KB HOME SOUTH BAY, INC.,
a California corporation

By: _____
Name:
Its: